

**REPORT OF THE AUDIT OF THE
DAVIESS COUNTY
CLERK**

**For The Year Ended
December 31, 2004**



**CRIT LUALLEN
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EXECUTIVE SUMMARY

AUDIT EXAMINATION OF THE DAVIESS COUNTY CLERK

**For The Year Ended
December 31, 2004**

The Auditor of Public Accounts has completed the Daviess County Clerk's audit for the year ended December 31, 2004. Based upon the audit work performed, the financial statements present fairly in all material respects, the revenues and expenditures of the County Clerk and the revenues, expenditures, and fund balances of the County Clerk's operating fund and county fund with the State Treasurer in conformity with the regulatory basis of accounting.

Financial Condition:

A fee official in counties with a population over 70,000 has two funds established with the state for the deposit of fees collected. Seventy-five percent (75%) of the fees collected are deposited in a County Clerk's operating fund and used for office expenses of the fee official. The remaining twenty-five percent (25%) of fees collected are deposited to the county government fund and paid quarterly to the county government. These funds are closed at the end of each four-year term by paying the balances to the respective county government.

The Daviess County Clerk had total receipts of \$19,607,364, which was a \$434,419 decrease from the prior year. Except for reimbursed expenses in the amount of \$163,630 the clerk paid 25% of receipts to the Daviess County Fiscal Court in the amount of \$433,129. This was a decrease of \$35,427 from the prior year.

Deposits:

The County Clerk's deposits were insured and collateralized by bank securities.

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CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS

The Honorable Louis Reid Haire, Daviess County Judge/Executive
Honorable J. Michael Libs, Daviess County Clerk
Members of the Daviess County Fiscal Court

Independent Auditor's Report

We have audited the accompanying statement of revenues and expenditures - regulatory basis of the County Clerk of Daviess County, Kentucky, and the statement of revenues, expenditures, and fund balances of the County Clerk's operating fund and county fund with the State Treasurer - regulatory basis for the year ended December 31, 2004. These financial statements are the responsibility of the County Clerk. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for County Fee Officials issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, the County Clerk prepares the financial statements on a regulatory basis of accounting that demonstrates compliance with the laws of Kentucky, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the revenues, expenditures, and fund balances of the County Clerk's operating fund and county fund with the State Treasurer for the year ended December 31, 2004, in conformity with the regulatory basis of accounting.

In accordance with Government Auditing Standards, we have also issued our report dated June 22, 2005, on our consideration of the County Clerk's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.



The Honorable Louis Reid Haire, Daviess County Judge/Executive
Honorable J. Michael Libs, Daviess County Clerk
Members of the Daviess County Fiscal Court

This report is intended solely for the information and use of the County Clerk and Fiscal Court of Daviess County, Kentucky, and the Commonwealth of Kentucky and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Crit Luallen", with a long horizontal flourish extending to the right.

Crit Luallen
Auditor of Public Accounts

Audit fieldwork completed -
June 22, 2005

DAVIESS COUNTY
J. MICHAEL LIBS, COUNTY CLERK
STATEMENT OF REVENUES AND EXPENDITURES - REGULATORY BASIS

For The Year Ended December 31, 2004

Revenues

State Fees For Services	\$	37,813
Fiscal Court		22,169

Licenses and Taxes:

Motor Vehicle-

Licenses and Transfers	\$	2,348,874
Usage Tax		9,147,521
Tangible Personal Property Tax		5,999,104
Lien Calls & Fees		17,896
Title Preparation, Notary, and Affidavit Fees		73,651

Other-

Fish and Game Licenses	9,261	
Marriage Licenses	28,221	
Occupational Licenses	578	
Beer and Liquor Licenses	6,650	
Candidate Filing Fees	1,170	
Deed Transfer Tax	318,380	
Delinquent Taxes	932,161	18,883,467

Fees Collected for Services:

Recordings-

Deeds, Easements, and Contracts	\$	58,846
Real Estate Mortgages		193,265
Chattel Mortgages and Financing Statements		246,652
Powers of Attorney		6,168
All Other Recordings		117,949

Charges for Other Services-

Copywork	18,606	
Postage	13,248	
Fax and Miscellaneous	5,418	660,152

Other:

Miscellaneous		190
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Interest Earned		3,573
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Total Revenues	\$	19,607,364
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The accompanying notes are an integral part of the financial statements.

DAVIESS COUNTY
J. MICHAEL LIBS, COUNTY CLERK
STATEMENT OF REVENUES AND EXPENDITURES - REGULATORY BASIS
For The Year Ended December 31, 2004
(Continued)

Expenditures

Payments to State:

Motor Vehicle-

Licenses and Transfers \$ 1,814,141

Usage Tax 8,873,087

Tangible Personal Property Tax 1,801,170

Licenses, Taxes, and Fees-

Fish and Game 8,976

Delinquent Tax 120,570

Legal Process Tax 77,148

Candidate Filing Fees 510 \$ 12,695,602

Payments to Fiscal Court:

Tangible Personal Property Tax \$ 694,899

Delinquent Tax 115,088

Deed Transfer Tax 302,461

Occupational Licenses 374

Beer and Liquor Licenses 6,204 1,119,026

Payments to Other Districts:

Tangible Personal Property Tax \$ 3,264,275

Delinquent Tax 468,815 3,733,090

Payments to Sheriff

20,254

Payments to County Attorney

140,081

Other Charges-

Miscellaneous 3,165

Total Expenditures

\$ 17,711,218

Net Revenues

\$ 1,896,146

Payments to State Treasurer:

75% Operating Fund \$ 1,463,017

25% County Fund 433,129 1,896,146

Balance Due at Completion of Audit

\$ 0

The accompanying notes are an integral part of the financial statements.

DAVIESS COUNTY
J. MICHAEL LIBS, COUNTY CLERK
STATEMENT OF REVENUES, EXPENDITURES, AND
FUND BALANCES OF THE COUNTY CLERK'S OPERATING FUND
AND COUNTY FUND WITH THE STATE TREASURER - REGULATORY BASIS

For The Year Ended December 31, 2004

	75% Operating Fund	25% County Fund	Totals
Fund Balance - January 1, 2004	\$ 186,536	\$	\$ 186,536
<u>Revenues</u>			
Fees Paid to State - Operating Funds (75%)	1,463,017		1,463,017
Fees Paid to State - County Funds (25%)		433,129	433,129
Total Funds Available	\$ 1,649,553	\$ 433,129	\$ 2,082,682
<u>Expenditures</u>			
Daviess County Government	\$	\$ 433,129	\$ 433,129
Personal Services-			
County Clerk's Salary	88,150		88,150
County Clerk's Expense Allowance	3,600		3,600
Deputies Salaries	828,523		828,523
Part Time Salaries	11,211		11,211
Training Incentives	1,546		1,546
Employee Benefits-			
Employer's Share of Social Security	67,835		67,835
Employer's Share of Retirement	71,887		71,887
Employer's Paid Health Insurance	170,203		170,203
Unemployment insurance	1,163		1,163
Other Health Insurance	5,485		5,485
Other Insurance	3,826		3,826
Contracted Services-			
Liability Insurance and Bond	13,547		13,547
Equipment Maintenance	10,394		10,394
Supplies and Materials-			
Recording Books and Supplies	15,559		15,559
Office Supplies	20,013		20,013
Other Charges-			
Dues	2,850		2,850
Travel	7,850		7,850

The accompanying notes are an integral part of the financial statements.

DAVIESS COUNTY
 J. MICHAEL LIBS, COUNTY CLERK
 STATEMENT OF REVENUES, EXPENDITURES, AND
 FUND BALANCES OF THE COUNTY CLERK'S OPERATING FUND
 AND COUNTY FUND WITH THE STATE TREASURER - REGULATORY BASIS
 For The Year Ended December 31, 2004
 (Continued)

	75% Operating Fund	25% County Fund	Totals
<u>Expenditures - Continued)</u>			
Other Charges- (Continued)			
Equipment Rental	\$ 9,462	\$	\$ 9,462
Parking	9,360		9,360
Conventions and Conferences	3,240		3,240
Telephone	4,802		4,802
Postage	2,815		2,815
Miscellaneous	3,082		3,082
County Clerk Literature	1,906		1,906
Auto Expenses-			
Gas and Maintenance	2,511		2,511
Insurance	322		322
Usage and Sales Tax	366		366
Capital Outlay-			
Office Equipment	22,036		22,036
Debt Service:			
Vehicle Lease	6,417		6,417
Total Expenditures	<u>\$ 1,389,961</u>	<u>\$ 433,129</u>	<u>\$ 1,823,090</u>
Fund Balance - December 31, 2004	<u>\$ 259,592</u>	<u>\$ 0</u>	<u>\$ 259,592</u>

The accompanying notes are an integral part of the financial statements.

DAVIESS COUNTY
NOTES TO THE FINANCIAL STATEMENTS

December 31, 2004

Note 1. Summary of Significant Accounting Policies

A. Fund Accounting

A fee official uses a fund to report on the results of operations. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

A fee official uses a fund for fees to account for activities for which the government desires periodic determination of the excess of revenues over expenditures to facilitate management control, accountability, and compliance with laws.

B. Basis of Accounting

KRS 64.350 establishes that a fee official in counties with a population over 70,000 has two funds with the State Treasurer for the deposit of fees collected. Seventy-five percent (75%) of the fees collected is deposited in a County Clerk's operating fund and used for office expenses of the fee official. The remaining twenty-five percent (25%) of fees collected is deposited to the county fiscal court fund and paid to the fiscal courts, urban-county governments, or consolidated local governments of the respective counties quarterly no later than April 15, July 15, October 15, and January 15. These funds are closed at the end of each official term by paying the balances to the respective county government.

The financial statements have been prepared on a regulatory basis of accounting, which demonstrates compliance with the laws of Kentucky and is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this regulatory basis of accounting, revenues and expenditures are generally recognized when cash is received or disbursed with the exception of accrual of the following items (not all-inclusive), at December 31:

- Interest receivable
- Collection on accounts due from others for 2004 services
- Reimbursements for 2004 activities
- Payments due other governmental entities for December tax and fee collections
- Payroll expenditures incurred but not paid
- Payments due vendors for goods or services provided in 2004

The Attorney General issued a letter which stated that some revenues of the fee official offices could be considered reimbursed expenses. All reimbursed expenses are treated as revenue in the 75 percent fund.

DAVISS COUNTY
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2004
(Continued)

C. Cash and Investments

At the direction of the fiscal court, KRS 66.480 authorizes the County Clerk's office to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

Note 2. Employee Retirement System

The county officials and employees have elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a cost-sharing, multiple-employer defined benefit pension plan that covers all eligible full-time employees and provides for retirement, disability, and death benefits to plan members.

Benefit contributions and provisions are established by statute. Nonhazardous covered employees are required to contribute 5.0 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 7.34 percent for the first six months and 8.48 percent for the last six months of the year.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65.

Historical trend information pertaining to CERS' progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Retirement Systems' annual financial report which is a matter of public record. This report may be obtained by writing the Kentucky Retirement Systems, 1260 Louisville Road, Frankfort, Kentucky 40601-6124, or by telephone at (502) 564-4646.

Note 3. Deposits

The County Clerk maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to KRS 66.480(1)(d) and KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the County Clerk and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. These requirements were met, and as of December 31, 2004, the County Clerk's deposits were fully insured or collateralized at a 100% level with collateral of pledged securities held by the County Clerk's agent in the County Clerk's name.

DAVIESS COUNTY
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2004
(Continued)

Note 4. Lease

The office of the County Clerk was committed to a lease agreement with B.F. Evans Ford for a 2001 Ford Expedition. The agreement required monthly payments of \$583 for the vehicle and \$35 for usage/sales tax for a total payment of \$618. The lease expired in December 2004.

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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS



CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS

The Honorable Louis Reid Haire, Daviess County Judge/Executive
Honorable J. Michael Libs, Daviess County Clerk
Members of the Daviess County Fiscal Court

Report On Internal Control Over Financial Reporting And
On Compliance And Other Matters Based On An Audit Of The Financial
Statements Performed In Accordance With Government Auditing Standards

We have audited the financial statements - regulatory basis of the Daviess County Clerk for the year ended December 31, 2004, and have issued our report thereon dated June 22, 2005. The County Clerk's financial statements are prepared in accordance with a basis of accounting other than generally accepted accounting principles. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Daviess County Clerk's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance And Other Matters

As part of obtaining reasonable assurance about whether the Daviess County Clerk's financial statements as of December 31, 2004, are free of material misstatement, we performed tests of compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.



Report On Internal Control Over Financial Reporting And
On Compliance And Other Matters Based On An Audit Of The Financial
Statements Performed In Accordance With Government Auditing Standards
(Continued)

This report is intended solely for the information and use of management and the Kentucky Governor's Office for Local Development and is not intended to be and should not be used by anyone other than the specified parties.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Crit Luallen", with a long horizontal flourish extending to the right.

Crit Luallen
Auditor of Public Accounts

Audit fieldwork completed -
June 22, 2005

